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SUBJECT: Insurance in Africa-Unmet Needs

¶1. Summary: In an UNCTAD Ad-Hoc Expert Meeting on Capacity-Building in the Insurance Sector in Africa, experts discussed various types of insurance (health, life, accident, catastrophe, political risk, property insurance, and reinsurance) and five project proposals from UNCTAD and the African Insurance Organization (AIO) aimed at improving the regulatory environment for insurance in Africa and the capacity of Africans to build an effective insurance sector. UNCTAD emphasized that there is a high correlation between a country's level of development and the extent of insurance coverage, and that Africa is severely under-served. End Summary.

Background

¶2. At the twelfth ministerial meeting of the UN Conference on Trade and Development (UNCTAD) held in Accra, Ghana in April 2008, member states recognized the importance of a vibrant insurance sector to development (para 117, Accra Accord) and mandated UNCTAD to provide policy analysis and capacity building on: prudential regulatory frameworks, the establishment of competitive insurance markets, and human resources development, and emphasized that assistance should especially be provided to African countries (para 157, Accra Accord). The February 23 UNCTAD Ad-Hoc Expert Meeting on Capacity-Building in the Insurance Sector in Africa, was a response to this mandate. It was attended by about 20 experts and 15 member state observers.

¶3. UNCTAD is the only body in the UN system that has a specific mandate on insurance and has been working on insurance issues since its founding in 1964.

Five project proposals

¶4. In the February 23 meeting, Ambassador Guy-Alain Emmanuel Guaze (Ivory Coast) described the need for insurance in Africa, especially the legal guarantees and security offered by insurance. He also said Africans need to be educated about the value and role of insurance, since many Africans consider insurance an unaffordable luxury.

¶5. UNCTAD and the African Insurance Organization (AIO) sought funding for five projects to strengthen the insurance industry in Africa. Project 1, which would last 18 months and cost US\$542,700, would provide affordable insurance software to African insurance companies. Prisca Soares, Secretary-General of AIO said the software was necessary to capture information in a standard form for the development of statistics.

¶6. Project 2, focuses on the African Centre for Catastrophe Risks (ACCR) and will help African governments plan and prepare for future disasters by monitoring potential natural catastrophes, through the use of scientific data. The proposed duration and estimated cost for project 2 are 60 months and US\$3,203,550.

¶7. Project 3, with a proposed duration of 24 months and cost of US\$544,660, supports development and implementation of regulatory and supervisory structures for the insurance industry in Africa, which would allow prudential monitoring of the sector. It provides technical assistance for African governments to examine their respective national insurance laws, and to make changes to the

supervisory structures as each government deems necessary.

¶8. Project 4, which has a proposed duration of 24 months and cost of US\$1,925,520, would support the development of African insurance statistics, such as mortality tables. These new statistics would enable the expansion of Life Insurance products and Pensions schemes in Africa.

¶9. Project 5, with a 12 months duration and estimated cost of US\$357,080, would modernize human resources through training insurance professionals to become trainers themselves (training the trainers), and harmonization of curricula, textbooks, and certification standards in Africa.

¶10. Comment: This UNCTAD Ad Hoc meeting responded to strong African demand for assistance in the development of their insurance sector, but also highlighted the scarcity of statistics concerning that sector. It was estimated that less than six percent of African people, excluding South Africans, have any type of insurance, with most of the insured being urban dwellers. Growth of the African Insurance sector comes from a very low base, and is hindered by a lack of reliable mortality tables and statistics as well as a lack of creative ways to reach the large, poor, rural population. These UNCTAD/AIO proposals would provide a modern regulatory and supervisory structure for the insurance sector and develop a sufficient number of African insurance professionals to begin seriously addressing deficits in the sector. End Comments.